

**FY 2011-12 ANNUAL FORMAL BUDGET REQUESTS
RECOMMENDED FOR DISAPPROVAL**

Attachment 2.3

Branch	Division	FBR Title	FBR Summary	FY 11-12			Reason
				One-time \$	Ongoing \$	PERM PY	
FBRs Disapproved - Completely							
Investment Operations	INVO	Increase in Temporary Help Line Item	Funding is requested for existing temporary positions previously approved without associated funding, necessary position upgrades, and anticipated costs of exiting staff retiring in the next fiscal year.	2,000,000	0	0.0	All concept papers with requesting the extension of temporary position were approved to be extended for another year without funding. The Budget Office did not recommend approval of this request (to be consistent with other requests and Enterprise budget constraints).
Investment Operations	PBSD	External Consultants	Funding for the external consultant line needed due to the movement of the \$19.5M from the Investment Expense Appropriation for Spring-Fed pools. Funding is needed to continue, enhance and initiate multiple INVO projects that are part of the efforts to implement investment technology systems and processes in order to effectively manage programs and portfolios of the Fund.	4,000,000	0	0.0	The Budget Office recommends that these External Consultant costs be transferred to the Investment Expense Appropriation, consistent with other similar expenses that have been transferred. The formal transfer request is being submitted for approval.
Investment Operations	PBSD	Human Resource Liaison	Position and funding requested for a Human Resource Liaison to support INVO's eight Divisions Needed to achieve the Talent Management Framework of a workforce that is diverse, talented, motivated and in possession of the skills needed to achieve INVO's goals	0	90,000	1.0	Although the volume of activities in this area has increased, it does not appear sufficient for 1.0 position. Therefore, the Budget Office recommended these duties be absorbed by the travel and gift liaison position being recommended for approval for the same unit.
Investment Operations	REU	PARO Unit (Staffing)	Position and funding requested for management of the Real Estate Unit (REU) administrative staff.	0	102,000	1.0	In evaluating the overall needs in INVO, the Budget Office took into account INVO's priority list of positions, as well as the fact that the REU has received a significant number of permanent positions in the last four years. The Budget Office does not feel the position is essential at this time.
Office of Enterprise Risk Management	ECOM	Form 700 Statement of Economic Interest Staffing	Positions and funding requested are needed to review and process the Enhanced Form 700 filings.	0	264,000	3.0	During FY 2010-11 Mid-Year process, ECOM was approved for 3.0 permanent positions to implement the Enhanced Form 700 Reviews. ECOM should re-evaluate their need once the new positions are filled and have more experience with the Enhanced Form 700 review.
FBRs Disapproved -Partially							
Actuarial & Employer Services	ACTO	ACTO Software Update	Funding to upgrade software used in Actuarial Valuation System (AVS).	10,000	0	0.0	The total cost for the number of licenses was closer to \$40,000, not the requested amount of \$50,000. \$40,000 was recommended for approval, the \$10,000 variance was recommended for disapproval.
Actuarial & Employer Services	ERSD	Extension & Funding of 5 temporary positions	Funding requested to extend 5.0 temporary positions, due to expire 6/30/11, for positions established due to workload associated with my CalPERS. This is a continued need in the ERCC, due to the change of implementation dates for my CalPERS, for answering Business Partner questions.	127,000	0	0.0	The Budget Office recommended extension of funding for four of the five temporary positions requested. The four positions recommended for approval were originally established with funding; this request extends the funding for those positions. The fifth temporary position was originally established without funding, and the Budget Office recommendation is to stay consistent with how it was originally established.

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Investment Operations	AA/RM	Risk Management Implementation	Positions and funding requested to address risk-related issues, assumptions, frameworks and strategic reassessment.	0	173,000	2.0	<p>The Budget Office recommended approval for 1.0 position and disapproval of 2.0 positions.</p> <p>During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs.</p> <p>Consideration was also given to the fact that the AA/RM received 1.0 (SPM) permanent position at Mid-Year FY 10-11.</p> <p>In an attempt to be fiscally prudent with existing Enterprise resources, along with meeting the need of the program area, the Budget Office recommended moving forward with part of the request; suggesting a phased-in approach.</p>
Investment Operations	AIM	Due Diligence and Investment Monitoring Sourcing Request	<p>Conversion of outside consultants to permanent civil service positions.</p> <p>Consultants are currently assisting in multiple functions of AIM, due to the large size of the portfolio and lack of internal resources.</p>	0	299,000	3.0	<p>The Budget Office recommended approval of 2.0 positions and disapproval of 3.0 positions.</p> <p>In evaluating the overall needs in INVO, The Budget Office took into account INVOs priority list of positions, as well as the fact that this area received 8.0 permanent positions in the last four years.</p>
Investment Operations	GE	Global Equity - Corporate Governance Staffing	<p>Positions and funding requested to meet workload associated with the Financial Market Reform strategic initiative.</p> <p>Includes rule-making efforts associated with the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as execution of the Advisory Vote process.</p>	0	299,000	2.0	<p>The Budget Office recommended approval of 1.0 position and disapproval of 2.0 positions.</p> <p>During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs.</p> <p>In an attempt to be fiscally prudent with existing Enterprise resources, and meet the need of the program area, the Budget Office recommended moving forward with only part of the request; suggesting a phased-in approach.</p>
Investment Operations	GE	Global Equity - Functionalization	<p>Positions and funding requested to complete a restructuring of the Division.</p> <p>The goal is to reduce process complexity, minimize operational and reputational risk, eliminate potential conflict of interest, and produce staff expertise in the areas of strategy development, skill identification, portfolio monitoring, relationship management and data management.</p>	0	133,000	1.0	<p>The Budget Office recommended approval of 1.0 position and disapproval of 1.0 position.</p> <p>During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs.</p> <p>In an attempt to be fiscally prudent with existing Enterprise resources, along with meeting the need of the program area, the Budget Office recommended moving forward with part of the request; suggesting a phased-in approach.</p>

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Investment Operations	ILAC	Infrastructure and Forestland Programs	Positions and funding requested for transaction and portfolio management of the Infrastructure and Forestland Programs. Resources are needed to achieve investment allocation targets and strategies.	0	370,000	3.0	The Budget Office recommended approval of 1.0 position and disapproval of 3.0 positions. During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs. In an attempt to be fiscally prudent with existing Enterprise resources, along with meeting the need of the program area, the Budget Office recommended moving forward with part of the request.
Investment Operations	OPTD	Investment Data Management	Positions and funding requested to fulfill core workload tasks and investment data management opportunities and critical services. This request is a result of the Organization, Systems, and Controls Business priority.	0	80,000	1.0	The Budget Office recommended approval of 2.0 positions and disapproval of 1.0 position. Although the volume of activities in this area has increased, it does not appear sufficient for 3.0 positions. Therefore, the Budget Office recommended these duties be absorbed by the 2.0 positions being recommended for approval.
Investment Operations	OPTD	Technology Management	Positions and funding requested due to significant growth and increased workload. The TMU unit supports and centrally manages INVO's technology assets and projects integral to daily operations, current initiatives and future needs.	0	234,000	2.0	The Budget Office recommended approval of 2.0 positions and disapproval of 2.0 positions. During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs. In an attempt to be fiscally prudent with existing Enterprise resources, along with meeting the need of the program area, the Budget Office recommended moving forward with part of the request; suggesting a phased-in approach.

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Investment Operations	OPTD	Portfolio Analytics Staffing	Positions and funding requested due to gaps identified in portfolio analytics. Included is the need to focus on daily performance attribution analysis, benchmark performance, management of staff incentive compensation process, valuation and pricing policies and procedures, analyze compliance with Financial Accounting Standards Board (FASB 157), and perform pricing audits.	0	200,000	2.0	The Budget Office recommended approval of 2.0 positions and disapproval of 2.0 positions. During the analysis process, the Budget Office reviewed all of INVO's FBR requests. Consideration was given to the critical nature of each request, workload justification ,and information INVO provided on internal ranking and prioritization of their FBRs. In an attempt to be fiscally prudent with existing Enterprise resources, along with meeting the need of the program area, the Budget Office recommended moving forward with part of the request.
Investment Operations	PBSD	Policy, Compliance & Partnership Payment Control Staff (Contracts)	Positions and funding requested due to increases in INVO's Spring-Fed pool usage and the passage of Assembly Bill (AB) 1743. AB 1743, enacted In September 2010, requires Placement Agents to register as lobbyists and adhere to ethics rules under the Political Reform Act, requiring new tracking and reporting requirements by INVO.	0	78,000	1.0	The Budget Office recommended approval of 1.0 position and disapproval of 1.0 position. Although the volume of activities in this area has increased, it does not appear sufficient for 2.0 positions. Therefore, the Budget Office recommended these duties be absorbed by the 1.0 position being recommended for approval.
ITSB	TSSD	Consultant Conversion	Conversion of six consultants to permanent civil service positions. Future savings to the Administrative and CalPERS Headquarters Building Account budgets, as well as lessening the need for consultant contracts in ITSB.	(422,250)	0	1.0	The Budget Office recommended approval to convert five of the six consultants to permanent staff. This conversion will realize a net savings of approximately \$474,000 from both the Administrative & CHBA budget starting in FY 2012-13. The sixth consultant in the FBR request was determined to be part of the Enterprise Projects Budget and would not provide ongoing savings in the Administrative Budget. It was recommended for disapproval. The (\$422,250) represents the disapproval of \$0 initially requested, and the approval of \$422,250 one-time. It was determined during the analysis that there will be one-time funding needs for FY 2011-12, during the transition phase.
ITSB	TSSD	Legacy Support Two-Year Temporary Staffing	Temporary staff and funding requested to maintain the legacy system concurrently while my CalPERS is being phased in.	1,000,000	0	0.0	The Budget Office recognizes the critical need for concurrent support by ITSB to support the legacy systems in conjunction with my CalPERS and recommended approving 25.0 of the 34.0 requested temporary positions. The remaining 9.0 positions were recommended for disapproval and suggested that ITSB re-evaluate the need after the first year. ITSB states these temporary staff will be transitioned into ITSB's vacancies when the phase-in process is complete.

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Member Services Branch	BNSD	Calculation & Adjustment Unit Staffing	Positions and funding requested are critical to the needs of retirement benefit processing. Increase in retirees, and the new legislation (AB 1651) related to retirement benefits of furloughed state/county/school employees has substantially increased the workload and backlog of the Retirement Benefit Processing and Maintenance unit.	0	486,000	6.0	The Budget Office recommended approval of 4.0 of the 10.0 requested positions. The 6.0 remaining positions are being recommended for disapproval due to the uncertainty of the impact on core workload processes at this time.
Office of Enterprise Risk Management	OERM	Risk Intelligence Unit	Position and funding requested to create a Risk Intelligence Unit for the new Enterprise Risk Management function.	125,000	0	0.0	The Budget Office recommended approval of 4.0 permanent positions and associated funding for the creation of the Office of Enterprise Risk Management, along with \$500,000 in one-time funding needs. The recommended disapproval of \$125,000 in one-time funding is a portion of the one-time funding request intended to repay another division for consulting dollars borrowed in FY 2010-11, which will be absorbed by the division.
FBR Adjustments - Adjusting entries needed to tie the original FBR requested amount to what was recommended for approval and disapproval							
Administrative Adjustment				0	(5,000)	0.0	On approved FBRs, there is a calculation adjustment due to the change in retirement rates. This adjustment is being added to tie out the total requests from what was recommended for approval and disapproval
TOTAL ADMINISTRATIVE BUDGET Disapproved FBRs				6,839,750	2,803,000	29.0	
				9,642,750			